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THE

Market Administrator's BULLETIN

Tom Clary

MARKET ADMINISTRATOR

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ISSUED FOR PRODUCERS WHO ARE NOT MEMBERS
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Always A Winner

Statement by Director, Dairy Division Before House Committee On Class I Base Plan Modification

(Statement by Herbert L. Forest, Director, Dairy Division, Consumer and Marketing Service, USDA, before the Committee on Agriculture, U. S. House of Representatives, on H.R. 19910, Wednesday, September, 25, 1968)

I appreciate the opportunity to appear before your Committee to comment on H.R. 19910 which would modify the present Class I base plan authority and give new authority for the collection from producers of funds to finance sales promotion plans.

The Department supports this bill. We do have certain recommendations which relate to the language of specific provisions and have outlined these recommendations in reports forwarded to the Committee. We shall be glad to work with your Committee staff at their convenience to develop the specific language for these changes.

H.R. 19910 provides a permanent extension of the Class I base plan authority. We feel this is advisable in that dairy farmers need assurance that the authority will be continued before making changes in production plans.

H.R. 19910 would also provide authority for automatic updating of base periods in the computation of history of producer deliveries. Under present authority, it would appear that bases must be established relative to a fixed historical period. Such a requirement does not accommodate adjustment of bases to rapidly changing supply and demand conditions in fluid milk markets.

Under the present Class I base plan legislation, participation of new producers in a market Class I sales is restricted to increase in Class I sales (except by purchase of base). The proposed legislation would remove this restriction and would require that the Secretary allocate bases to new producers and prescribe how new producers may earn bases. The proposed Class I base plan language would remove any question with respect to the authority to provide

for the equitable sharing between old and new producers of any increase in Class I sales.

Some Class I sales are made in marketing areas by handlers who are associated with the markets in only a limited way. These Class I sales have not been pooled under present order provisions. We interpret present legislation for Class I base plans not to require that these sales be pooled solely for the benefit of base holding producers. However, we interpret both present and proposed legislation to authorize the Secretary to pool such sales in markets which have Class I base programs if necessary to provide an equitable sharing of Class I sales between base holding producers & these other suppliers.

The bill would provide specific authority for so-called Louisville Plans. These plans are now included in 20 Federal order market, representing about 40 percent of the milk regulated by Federal orders. These plans encourage the leveling of spring and fall production by withholding sums paid by milk processors in the spring and their subsequent payment to producers in the fall. Recently, some questions have arisen as to the legality of such plans. The proposed amendment would clarify and reaffirm the authority for such provisions.

Section 2 of the bill would authorize deductions from payments due producers under Federal milk orders to be used in financing programs designed to increase milk consumption. Such funds would be paid to an organization established by milk producers and cooperatives which could employ persons or organizations to provide research and milk promotion.

(continued on back page)





Cincinnati

MARKET FACTS FOR EASY REFERENCE

PRICE SUMMARY

Producers' Uniform Price (3.5%)	\$6.03*	\$5.68*	\$5.67*
Class I (3.5%)	6.26	6.23	5.89
Class II (3.5%)	4.23	4.20	3.93
Producer Butterfat Differential for each one-tenth percent	8.0¢	7.8¢	8.2¢

*Producer location differential—

Distance of Receiving plant from City Hall, Cincinnati, Ohio.

30 but less than 40 miles .06¢ less

40 but less than 50 miles .08¢ less

50 but less than 60 miles .10¢ less

Each additional 10 miles or fraction thereof, an additional .015

UTILIZATION SUMMARY

Percent of Producer Milk in Class I	75.06	72.24	78.77
Percent of Producer Milk in Class II	24.94	27.76	21.23

PRODUCER MILK RECEIPTS

Total Bulk Tank Milk Deliveries	55,886,126	55,560,442	51,563,825
Total Can Milk Deliveries	1,252,768	2,905,637	3,328,935
Total Pounds Producer Milk Delivered	57,138,904	58,466,079	54,892,760
Percentage of Tank Milk to Total Deliveries	97.81	95.03	93.94

Number of Tank Producers	2,562	2,448	2,491
Number of Can Producers	116	241	339
Total Number of Producers	2,678	2,689	2,830
Percentage of Tank Producers to Total Producers	95.67	91.04	88.02

Average Daily Receipts per Tank Producer	727	732	690
Average Daily Receipts per Can Producer	360	389	327
Average Daily Receipts per All Producers	711	701	647

Average Butterfat Test of All Producers	3.58	3.52	3.62
Average Daily Class I Use (Gross)	1,589,903	1,509,701	1,506,143

VALUE SUMMARY

Total Value of Average Test	\$3,478,890	\$3,327,839	\$3,160,831
Income per Producer (7 Day Average)	\$303	\$279	\$260

AVERAGE DAILY SALES (Quarts)

Milk	510,947	487,936	520,776
Buttermilk	16,023	17,903	16,214
Chocolate	38,267	16,566	35,127
Skim	121,073	124,039	112,507
Cream	9,119	9,162	9,957

Sept. 1968	Aug. 1968	Sept. 1967
\$6.03*	\$5.68*	\$5.67*
6.26	6.23	5.89
4.23	4.20	3.93
8.0¢	7.8¢	8.2¢
75.06	72.24	78.77
24.94	27.76	21.23
55,886,126	55,560,442	51,563,825
1,252,768	2,905,637	3,328,935
57,138,904	58,466,079	54,892,760
97.81	95.03	93.94
2,562	2,448	2,491
116	241	339
2,678	2,689	2,830
95.67	91.04	88.02
727	732	690
360	389	327
711	701	647
3.58	3.52	3.62
1,589,903	1,509,701	1,506,143
\$3,478,890	\$3,327,839	\$3,160,831
\$303	\$279	\$260
510,947	487,936	520,776
16,023	17,903	16,214
38,267	16,566	35,127
121,073	124,039	112,507
9,119	9,162	9,957

COMPARATIVE STATISTICS

CINCINNATI MARKETING AREA

SEPT., 1959-68

Year	Receipts From Producers	Average Butter- fat Test	Percentage of Producer Milk in Each Class			Uniform Producer Price (3.5%)	Class Prices at 3.5%			Number of Producers	Daily Average Production
			Class I	Class II	Class III		Class I	Class II	Class III		
1959	42,454,522	3.67	73.2	21.5	5.3	4.75	4.8577	3.2483	3.2483	4,011	353
1960	45,256,627	3.68	71.0	20.4	8.6	4.59	4.6760	3.1812	3.1812	4,039	373
1961	52,482,454	3.62	68.6	18.2	13.2	4.74	4.8725	3.3639	3.3639	3,957	442
1962	51,789,311	3.64	68.0	19.3	12.7	4.55	4.77	3.1080	3.1080	3,553	486
1963	53,942,601	3.62	65.6	20.5	13.9	4.52	4.74	3.1812	3.1812	3,403	528
1964	52,269,290	3.60	68.3	19.5	12.1	4.51	4.79	3.2540	3.2540	3,211	543
1965	57,040,711	3.64	72.6	17.5	9.9	4.68	4.92	3.2839	3.2839	3,236	588
1966	61,364,076	3.62	68.8	31.2	—	5.53	5.81	4.29	—	3,155	648
1967	54,892,760	3.62	78.8	21.2	—	5.67	5.89	3.93	—	2,830	647
1968	57,138,904	3.58	75.1	24.9	—	6.03	6.26	4.23	—	2,678	711

Changing Patterns of Fluid Milk Sales

The Dairy Situation, Economic Research Service USDA, September, 1968

In early 1968, sales of fluid skim milk products which includes skim milk, low-fat milk, buttermilk, and flavored milk drinks in comparable Federal order milk markets continued to rise sharply from a year earlier, while sales of fluid whole milk, milk and cream mixtures, and fluid cream items declined. The almost 18 percent January-May increase in skim milk sales was greater than the 13 percent average annual gain of the past 2 years. The surge in skim milk sales thus far in 1968 has been large enough to offset the decline in other fluid items, and push total product weight of fluid sales up some 2 percent from a year earlier. However, the milk equivalent (fat solids basis) continued down from a year earlier.

In recent years, Federal order markets accounted for about two-thirds of total sales in the country.

During the past 5 years there has been a considerable shift in the relationship among sales of the various fluid milk products in Federal order markets. From 1963 to 1967, sales of skim milk items gained about 11 percent annually. Sales of cream and mixtures declined sharply. Whole milk sales increased from 1963 to 1965, but since then they have fallen off. Last year whole milk sales declined by almost 3 percent.

As a consequence of these changes, skim milk product sales last year rose to almost 15 percent of total

fluid sales, compared with 10 percent in 1963. Even though fluid whole milk sales represented 83 percent of all sales last year, they have trended downward from about 88 percent 5 years ago. Cream and cream mixtures, declining steadily in recent years, accounted for only about 2 percent of sales in 1967.

A closer look at skim milk sales reveals that the fastest growing item during this period has been low-fat milk. Low-fat milk usually refers to a fluid milk product containing from 1.5 to 2.5 percent butterfat, which is often called "2-percent milk." Handlers in Federal order markets reported an average fat test of 2.02 percent for this product in 1967. A recent USDA study found most of the low-fat milk being sold by surveyed dairy plants contained about 2 percent fat and 10 percent nonfat solids. In order to meet consumer demand as well as to improve flavor, the industry has been adding non-fat milk solids to skim milk and to low-fat milk. About 80 percent of the low-fat milk solids by the surveyed plants had non-fat solids added, with most plants using nonfat dry milk as the source of solids. Most processors also fortified their low-fat milk with vitamin D, and about half were adding vitamin A.

Low-fat milk is a relatively new dairy product. Prior to 1949, its sale was pretty much limited to the Midwest. Although low-fat milk was

available in at least one market in each of the major geographic regions by 1953, a large number of plants did not start selling this product until the early 1960's.

Retail Prices Up 4%

The Dairy Situation, Economic Research Service USDA, September, 1968

Retail prices for dairy products likely will rise seasonally in the third quarter, and may average about 4 percent higher than a year earlier during the remainder of the year. Both higher farm prices for milk than a year earlier and expected increases in marketing for dairy products are contributing to higher retail prices.

The index for second quarter retail prices averaged 120.0, compared with 116.0 for a year earlier. Prices of fluid milk were up 5 percent, but those of butter, cheese, and evaporated milk rose less. Ice cream prices dropped from year-earlier levels.

The second quarter increase from a year earlier in the retail cost of dairy products resulted from both higher farm values and increased marketing margins. The farm value of dairy products in the market basket of farm foods was up 4 percent, while the farm-retail price spread (marketing margin) rose 2½ percent. Marketing margins were above a year earlier for butter and fresh fluid milk, but declined for cheese, ice cream, and evaporated milk.

CINCINNATI, OHIO 45201

519 Main Street

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CLASS I BASE PLAN . . .

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Provisions authorizing producer contributions would not become effective unless separately approved by producers in the same manner provided for approval of order; and disapproval of the producer deduction provisions would not be considered disapproval of the order.

The Department believes producers should have the opportunity to finance product research and promotion programs. The Department vigorously supports efforts to increase consumption of milk and its products when such programs have the strong support of those affected.

The proposed authority for Class I base plans and producer deductions for milk promotion would constitute enabling legislation and implementation of such provisions in a Federal milk order would require public hearings as well as producer approval. Thus, a forum would be provided for a careful and thorough review before the adoption of either program in an individual milk marketing area. At any time 50 percent of the producers may request termination of either program and the Secretary is required to do so.

In connection with this legislation, we recommend that there be included an administrative review procedure for producers who have a standing to sue with respect to order provisions.

Mr. Chairman, this concludes my prepared statement.

Market Quotations

SEPTEMBER

1968

MINNESOTA-WISCONSIN PRICE SERIES	\$4.23
Butter-nonfat dry milk price, 3.5% per cwt. (Columbus)	4.28
Average Price per lb. 92-score butter at Chicago	.6854
Average carlot prices, spray process nonfat dry milk, f.o.b. Chicago area manufacturing plants.	.2291

Feed Concentrates Supply Up Over A Year Ago

The Dairy Situation, Economic Research Service USDA, September, 1968

The supply of all feed concentrates for 1968-69 (October-September feeding year) is estimated at 259 million tons. This would be 5 percent above a year earlier, and 7 percent higher than the 1962-66 average. Based on August 1 indications, 1968 feed grain production will be only a bit smaller than last year's bumper crop, but 17 percent above average. Supplies of high-protein feeds in 1968-69 are expected to be a little larger than during the current feeding season.

Feed prices this year are reflecting large supplies. The cost of 16 percent dairy ration averaged \$70 per ton in August, 5 percent below last August. Concentrates fed dairy cows were valued at \$3.05 per 100 pounds in August, 5 percent less than a year earlier.

The milk-feed price ratio has been

at record levels for every month this year. During the first half of 1968, the ratio averaged 9 percent above January-June 1967. One pound of milk was equivalent in value to 1.70 pounds of feed in August, 10 percent more than in August 1967. With higher expected milk prices, the milk-feed price ratio will continue at record levels during the remainder of this year. As a result, dairy farmers are expected to continue to increase grain feeding rates.

Grain and concentrates fed to milk cows on August 1 averaged 9.4 pounds per head, 7 percent above a year earlier. This was the largest gain since the fall of 1966. Favorable milk-feed price ratios are a factor in the increased rates of grain feeding. Feeding rates averaged 10 pounds or more daily per cow in 19 States, compared with only 3 States in 1962-66.